

AMENDED IN ASSEMBLY APRIL 21, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1378

Introduced by Assembly Member Jerome Horton

February 21, 2003

An act to ~~add Section 100.5 to~~ *amend Section 100 of* the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1378, as amended, Jerome Horton. Property taxation: revenue allocation reductions: condemnations.

The California Constitution requires the State Board of Equalization to assess specified properties owned by specified entities. Existing property tax law provides for the valuation of properties of a state assessee that owns property in more than one county. Existing law also provides, pursuant to specified formulas, for the application in each county in which that property is located of specified tax rates to the assessed value of a state assessee's property that is assigned to each of these counties, and for the allocation among jurisdictions in that county of the resulting revenues.

This bill would, for the 2004–05 fiscal year and each fiscal year thereafter, require a county auditor to exclusively apply against a ~~city~~ *local public entity, as defined*, any reduction in assessed value that is assigned to a county that results from the condemnation by that ~~city~~ *entity* of specified state-assessed property located within its jurisdiction on and after July 1, 2004. *This bill would also make legislative findings and declarations regarding the Legislature's intent.*

By requiring county auditors to implement a new formula for allocating property tax revenues, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 100.5 is added to the Revenue and~~
2 ~~Taxation Code, to read:~~

3 ~~100.5. Notwithstanding any other provision of law, for the~~
4 ~~2004-05 fiscal year and each fiscal year thereafter, the auditor shall~~
5 ~~exclusively apply against a city any reduction in assessed value~~
6 ~~that is assigned to a county tax rate area pursuant to Section 100~~
7 ~~resulting from the condemnation by that city on or after July 1,~~
8 ~~2004, of state-assessed unitary property or state-assessed~~
9 ~~operating nonunitary property located within its jurisdiction.~~

10 ~~SEC. 2.—~~

11 *SECTION 1. (a) In enacting this act, the Legislature finds*
12 *and declares the following:*

13 *(1) The enactment of Chapter 1457 of the Statutes of 1986*
14 *established a formula to allocate property tax value and revenue*
15 *attributable to state-assessed property to the various taxing*
16 *jurisdictions within a county.*

17 *(2) As a result of the formula, property tax changes resulting*
18 *from subsequent changes in assessed value within a specific tax*
19 *rate area code are borne by all taxing jurisdictions within a county*
20 *instead of by the specific jurisdiction in which the change occurs.*

1 (3) While the enactment of Chapter 921 of the Statutes of 1987
2 simplified the property tax billing process related to state-assessed
3 property, it still resulted in a formula-based allocation in which all
4 taxing jurisdictions within a county continued to be affected by
5 assessed value changes within a specific tax rate area code.

6 (4) Actions by a local public entity, including condemnations
7 of state-assessed property, that cause significant decreases in
8 related assessed value result in an unintended inequity when all
9 taxing jurisdictions are required to share in the decrease in
10 property tax revenue.

11 (5) When changes in assessed valuation cause a loss in
12 property tax revenue for schools, Proposition 98, as enacted by the
13 voters at the November 8, 1988, general election, as amended by
14 Proposition III at the June 5, 1990, primary election, requires the
15 state, through its General Fund, to backfill any property tax
16 revenue losses incurred by schools.

17 (6) Jurisdictions within a county receiving property tax
18 revenues should be held harmless from the actions of local public
19 entities that would result in a property tax revenue decrease.

20 (7) In addition, the General Fund should also be held harmless
21 against similar actions in the case of school funding under
22 Propositions 98 and III.

23 (8) These inequities should be corrected so that the property tax
24 impact of these actions is borne by the local public entity bringing
25 these actions.

26 (b) Therefore, it is the intent of the Legislature in enacting this
27 act to hold harmless those taxing jurisdictions that would
28 otherwise experience a revenue loss when a local public entity
29 condemns state-assessed property within its jurisdiction.

30 SEC. 2. Section 100 of the Revenue and Taxation Code is
31 amended to read:

32 100. Notwithstanding any other provision of law,
33 commencing with the 1988–89 fiscal year, property tax assessed
34 value attributable to unitary and operating nonunitary property, as
35 defined in Sections 723 and 723.1, that is assessed by the State
36 Board of Equalization shall be allocated by county as provided in
37 Section 756, and the assessed value and revenues attributable to
38 that allocation shall be allocated within each county as follows:

39 (a) Each county shall establish one countywide tax rate area.
40 The assessed value of all unitary and operating nonunitary

1 property shall be assigned to this tax rate area. No other property
2 shall be assigned to this tax rate area.

3 (b) Property assigned to the tax rate area created by subdivision
4 (a) shall be taxed at a rate equal to the sum of the following two
5 rates:

6 (1) A rate determined by dividing the county's total ad valorem
7 tax levies for the secured roll, including levies made pursuant to
8 Section 96.8, for the prior year, exclusive of levies for debt service,
9 by the county's total ad valorem secured roll assessed value for the
10 prior year.

11 (2) A rate determined as follows:

12 (A) By dividing the county's total ad valorem tax levies for
13 unitary and operating nonunitary property for the prior year debt
14 service only by the county's total unitary and operating nonunitary
15 assessed value for the prior year.

16 (B) Beginning with the 1989–90 fiscal year, adjusting the rate
17 determined pursuant to subparagraph (A) by the percentage
18 change between the two preceding fiscal years in the county's ad
19 valorem debt service levy for the secured roll, not including
20 unitary and operating nonunitary debt service.

21 (c) The property tax revenue derived from the assessed value
22 assigned to the countywide tax rate area pursuant to subdivision (a)
23 by the use of the tax rate determined in paragraph (1) of
24 subdivision (b) shall be allocated as follows:

25 (1) For the 1988–89 fiscal year and each fiscal year thereafter,
26 each taxing jurisdiction shall be allocated an amount of property
27 tax revenue equal to 102 percent of the amount of the aggregate
28 property tax revenue it received from all unitary and operating
29 nonunitary property in the prior fiscal year, exclusive of revenue
30 attributable to levies for debt service.

31 (2) If the amount of property tax revenue available for
32 allocation in the current fiscal year is insufficient to make the
33 allocations required by paragraph (1), the amount of revenue to be
34 allocated to each taxing jurisdiction shall be prorated based on a
35 factor determined by dividing the total amount of property tax
36 revenue available to all taxing jurisdictions from unitary and
37 operating nonunitary property in the current year, exclusive of
38 revenue attributable to levies for debt service, by the total amount
39 of property tax revenue received by all taxing jurisdictions from

unitary and operating nonunitary property in the prior fiscal year, exclusive of revenue attributable to levies for debt service.

(3) If the amount of property tax revenue available for allocation to all taxing jurisdictions in the current fiscal year from unitary and operating nonunitary property, exclusive of revenue attributable to levies for debt service, exceeds 102 percent of the property tax revenue received by all taxing jurisdictions from all unitary and operating nonunitary property in the prior fiscal year, exclusive of revenue attributable to levies for debt service, the amount of revenue in excess of 102 percent shall be allocated to all taxing jurisdictions in the county by a ratio determined by dividing each taxing jurisdiction's share of the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service.

(d) The property tax revenue derived from the assessed value assigned to the countywide tax rate area pursuant to subdivision (a) by the use of the tax rate determined in paragraph (2) of subdivision (b) shall be allocated as follows:

(1) An amount shall be computed for each taxing jurisdiction and shall be determined by multiplying the amounts required in the current year pursuant to subdivisions (a) and (c) of Section 93 by that percentage that shall be determined by dividing the amount of property tax revenue the jurisdiction received in the prior year from unitary property and operating nonunitary property by the total amount of property tax revenue the jurisdiction received in the prior year from all property.

(2) The amount of property tax revenue available for allocation pursuant to this subdivision shall be allocated among taxing jurisdictions in the proportion that the amount computed for each taxing jurisdiction pursuant to paragraph (1) bears to the total amount computed pursuant to paragraph (1) for all taxing jurisdictions.

(3) If a taxing jurisdiction is levying a tax rate for debt service for the first time in the current fiscal year, for purposes of determining the percentage specified in paragraph (1), that percentage shall be the percentage determined by dividing the amount of property tax revenue received by that taxing jurisdiction in the prior year pursuant to subdivision (c) from unitary and

operating nonunitary property by the total amount of property tax revenue received by that taxing jurisdiction in the prior year from all property within the taxing jurisdiction.

(e) For purposes of this section:

(1) “The county’s total ad valorem tax levies for the secured roll” means all ad valorem tax levies for the county’s secured roll, including the general tax levy, levies for debt service (including land only and land and improvement rates), and levies for redevelopment agencies.

(2) “The county’s total ad valorem secured roll” means the county’s local roll, after all exemptions except the homeowner’s exemption, and the county’s utility roll.

(3) “Taxing jurisdiction” includes a redevelopment agency.

(4) In a county of the second class, for the 1992–93 fiscal year and each fiscal year thereafter, “taxing jurisdiction” includes that fund that has been designated by the auditor as the “Unallocated Residual Public Utility Tax Fund.” All revenues allocated to that fund pursuant to this section shall be deposited in that fund and shall be distributed as follows:

(A) For the 1992–93 fiscal year to the 1996–97 fiscal year, inclusive, at the discretion of the county board of supervisors.

(B) For the 1997–98 fiscal year, 100 percent to the Orange County Fire Authority.

(C) For the 1998–99 fiscal year and each fiscal year thereafter, in accordance with the following schedule:

(i) Fifty-seven and forty-seven hundredths percent to the Orange County Fire Authority.

(ii) Forty-one and forty-seven hundredths percent to the Orange County Library District.

(iii) Forty-eight hundredths percent to the Buena Park Library District.

(iv) Fifty-eight hundredths percent to the Placentia Library District.

(f) The assessed value of the unitary and operating nonunitary property shall be kept separate for each state assessee throughout the allocation process.

(g) Each state assessee shall be issued only one tax bill for all unitary and operating nonunitary property within the county.

(h) This section does not apply to unitary property of regulated railway companies.

(i) This section does not apply to property that on July 1, 1987, was undeveloped and owned by a utility and located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement and that this section shall not apply to that property, and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the State Board of Equalization and the county's auditor-controller prior to January 1, 1988.

(j) (1) For property that on July 1, 1990, was undeveloped and owned by a utility and that is located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement and that this subdivision applies to that property, and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the county auditor prior to August 1, 1991, the allocation of property tax revenues derived with respect to that property pursuant to Sections 96.1, 96.2, 97.31, 98, 98.01, and 98.04, shall be subject to the allocation required by paragraph (2).

(2) The county auditor shall annually allocate to a city, county, or city and county, that has adopted and transmitted a resolution pursuant to paragraph (1), the amount of property tax revenues derived with respect to the property described in paragraph (1) that would be allocated to that city, county, or city and county if that property were subject to assessment by the county assessor. In order to provide the allocations required by this paragraph, the county auditor shall make any necessary pro rata reductions in allocations to local agencies other than that city, county, or city and county adopting and transmitting a resolution pursuant to paragraph (1), of property tax revenues derived with respect to the property described in paragraph (1).

(k) (1) For property subject to this section that is owned by a utility that serves no more than two counties and is located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement for new construction and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the State Board of Equalization and the county auditor prior to January 1, 1995, the allocation of property tax revenues derived with respect to that property pursuant to Sections 96.1,

1 97.31, 98, 98.01, and 98.04, shall be subject to the requirements
2 of paragraph (2) until December 31, 2004.

3 (2) If the city, county, or city and county has adopted and
4 transmitted a resolution pursuant to paragraph (1), the county
5 auditor shall annually allocate the property tax revenue
6 attributable to the new construction described in the development
7 plan or agreement, as if that new construction were subject to
8 assessment by the county assessor, according to the following
9 formula:

10 (A) An amount of property tax revenue to school entities, as
11 defined in subdivision (f) of Section 95, equivalent to the same
12 percentage the school entities received in the prior fiscal year of
13 the property tax revenues paid by the utility in the county in which
14 the property described in paragraph (1) is located.

15 (B) An amount of property tax revenue to the county in which
16 the property is located equivalent to the same percentage the
17 county received in the prior fiscal year of the property tax revenues
18 paid by the utility in the county in which the property described in
19 paragraph (1) is located. The county shall distribute those property
20 tax revenues to the county general fund, the county library district,
21 the county flood control district, the county sanitation districts,
22 and the county service areas.

23 (C) The property tax revenue remaining after the allocations
24 described in subparagraphs (A) and (B) are made shall be
25 distributed to the city in which the property described in paragraph
26 (1) is located.

27 (3) In order to provide the allocations required by paragraph
28 (2), the county auditor shall make any necessary pro rata
29 reductions in allocations of property taxes attributable to the
30 property specified in paragraph (1) to jurisdictions other than those
31 receiving an allocation under paragraph (2).

32 (4) The allocation required by this subdivision shall not apply
33 to property tax revenues allocated on or after December 31, 2004.

34 *(1) Notwithstanding any other provision of law, for the 2004–05*
35 *fiscal year and each fiscal year thereafter, the auditor shall*
36 *exclusively apply against a local public entity, as defined in*
37 *Section 1235.150 of the Code of Civil Procedure, any reduction in*
38 *assessed value that is assigned to a countywide tax rate area*
39 *pursuant to subdivision (a) resulting from the condemnation by*
40 *that local public entity on or after July 1, 2004, of state-assessed*

1 *unitary property or state-assessed operating nonunitary property*
2 *located within its jurisdiction.*

3 *SEC. 3.* Notwithstanding Section 17610 of the Government
4 Code, if the Commission on State Mandates determines that this
5 act contains costs mandated by the state, reimbursement to local
6 agencies and school districts for those costs shall be made pursuant
7 to Part 7 (commencing with Section 17500) of Division 4 of Title
8 2 of the Government Code. If the statewide cost of the claim for
9 reimbursement does not exceed one million dollars (\$1,000,000),
10 reimbursement shall be made from the State Mandates Claims
11 Fund.

